

**House Appropriations Committee on
Capital Improvements**

**Available Funding Sources for Capital
and Connect NC Bond Update**

**Office of State Budget and Management
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Purpose of Presentation

- Types of Funds Available for Capital Improvement Projects
- Connect NC Bond Overview and Update



Funds Available for Capital Projects

- General Funds and Receipts
 - \$148 million in General Fund Projects appropriated in FY 2021
- General Obligation Bonds
 - Last Authorized: \$2 Billion in 2016
- Two-Thirds Bonds (General Obligation Bonds)
 - Last Authorized: \$306.9 Million in 2014
- Special Indebtedness:
 - Last Authorized: \$3 Billion in 2018 (Build NC) or \$750.5 Million in 2008 (General Fund Supported)



Funds Available for Capital Projects

- Guaranteed Energy Savings Contracts:
 - \$271.3 Million outstanding
- Special Obligation (University of North Carolina)
 - Last Authorization: \$48.5 Million in 2020
- Revenue Bonds
- Public Private Partnerships



Funds Available for Capital Projects

- State Capital and Infrastructure Fund:
 - Four Percent of General Fund Revenue
 - One Quarter of the Year End Credit Balance
 - Interest earned on the fund
 - Unspent funds from previously approved projects
 - Any other funds appropriated by the General Assembly



Debt Capacity For the State (Millions)

	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26
Unfunded Liabilities	\$100.0	\$100.0	\$100.0	\$100.0	\$100.0
Total Additional Capacity per Year	\$3,220.8	\$437.4	1,035.1	\$2,113.9	\$1,593.9
Debt Capacity Available Each and Every Year	\$1,457.8	\$1,457.8	\$1,457.8	\$1,457.8	\$1,457.8

Special Indebtedness Capacity (General Fund): \$577 million
Two Thirds Bonds Available: None



Connect NC Bond Update



Wilderness Gateway Trail Land Acquisition



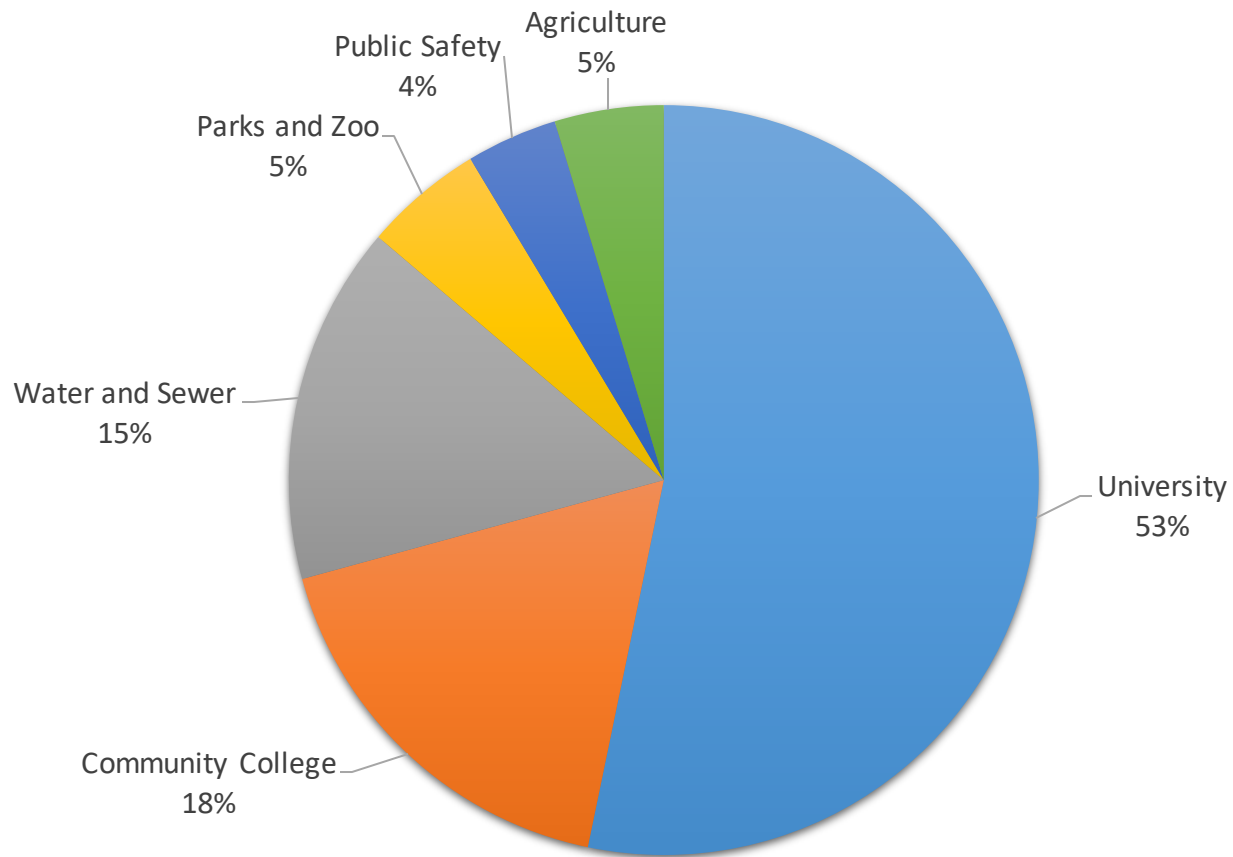
General Information

- The Connect NC Bond Act was passed by the General Assembly in 2015 and approved by the Voters in March 2016
- The Connect NC Bond is a \$2 Billion General Obligation bond program supporting University, Community College, Public Safety, State and Local Parks, NC Zoo, and Agriculture



Total Allocation

Connect NC Bond: Total Allocation (\$2 Billion)

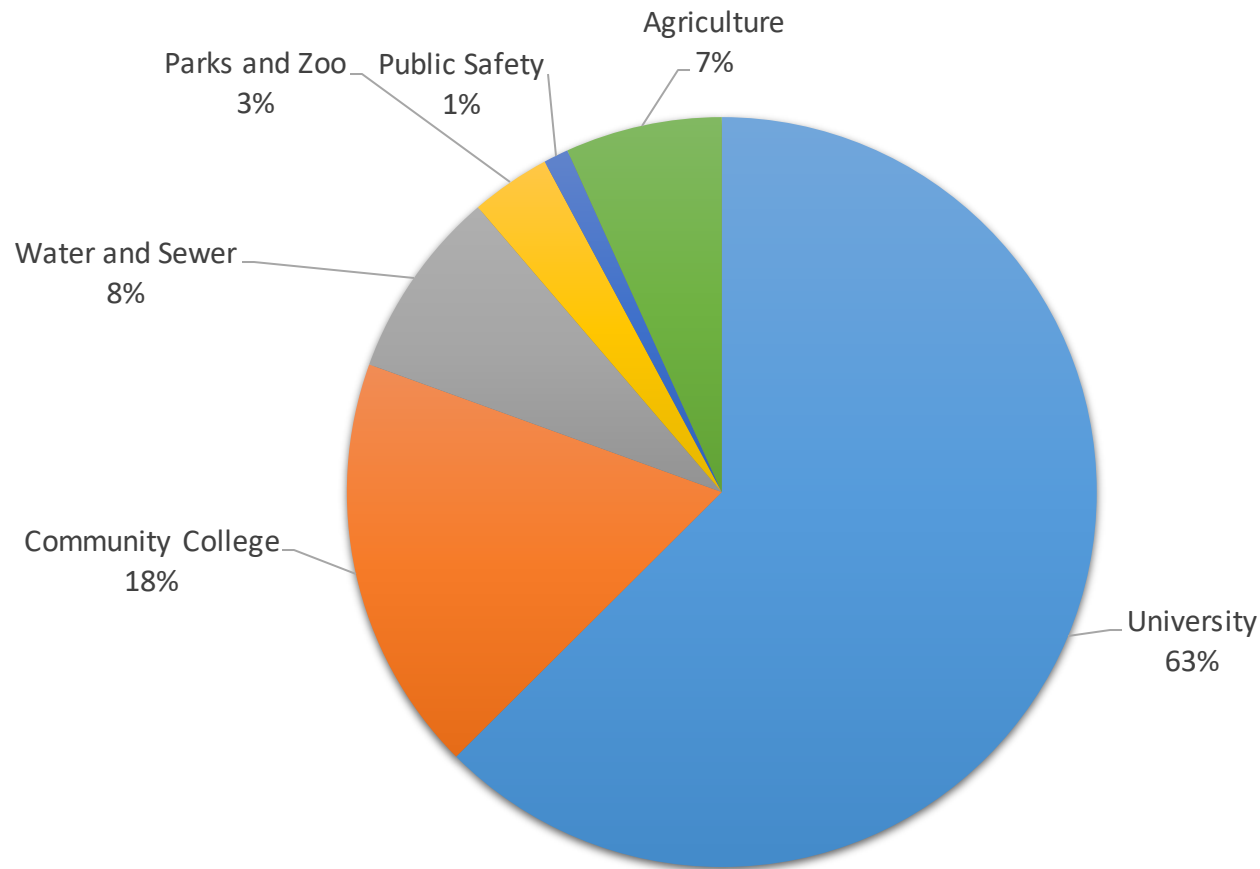


Agriculture includes only the Department of Agriculture and Consumer Services Project. The Plant Sciences Building is included in the University Total



Current Total Expenditures (Update)

Connect NC Bond: Current Expenditures (\$1.3 Billion)



Agriculture includes only the Department of Agriculture and Consumer Services Project. The Plant Sciences Building is included in the University Total



OSBM Review of Cash Flow Projections

- OSBM meets with Connect NC Bond recipients to review cash flow submissions and make adjustments, as needed.
- OSBM also models cash flow projections based on actual draws.
- OSBM and the State Treasurer recommend bond issuances on projected expenditure need
- As an example, prior to the last 2020 Connect NC Bond Issuance, OSBM and Treasurer recommended a reduction of \$200 million – which saved millions in debt service.



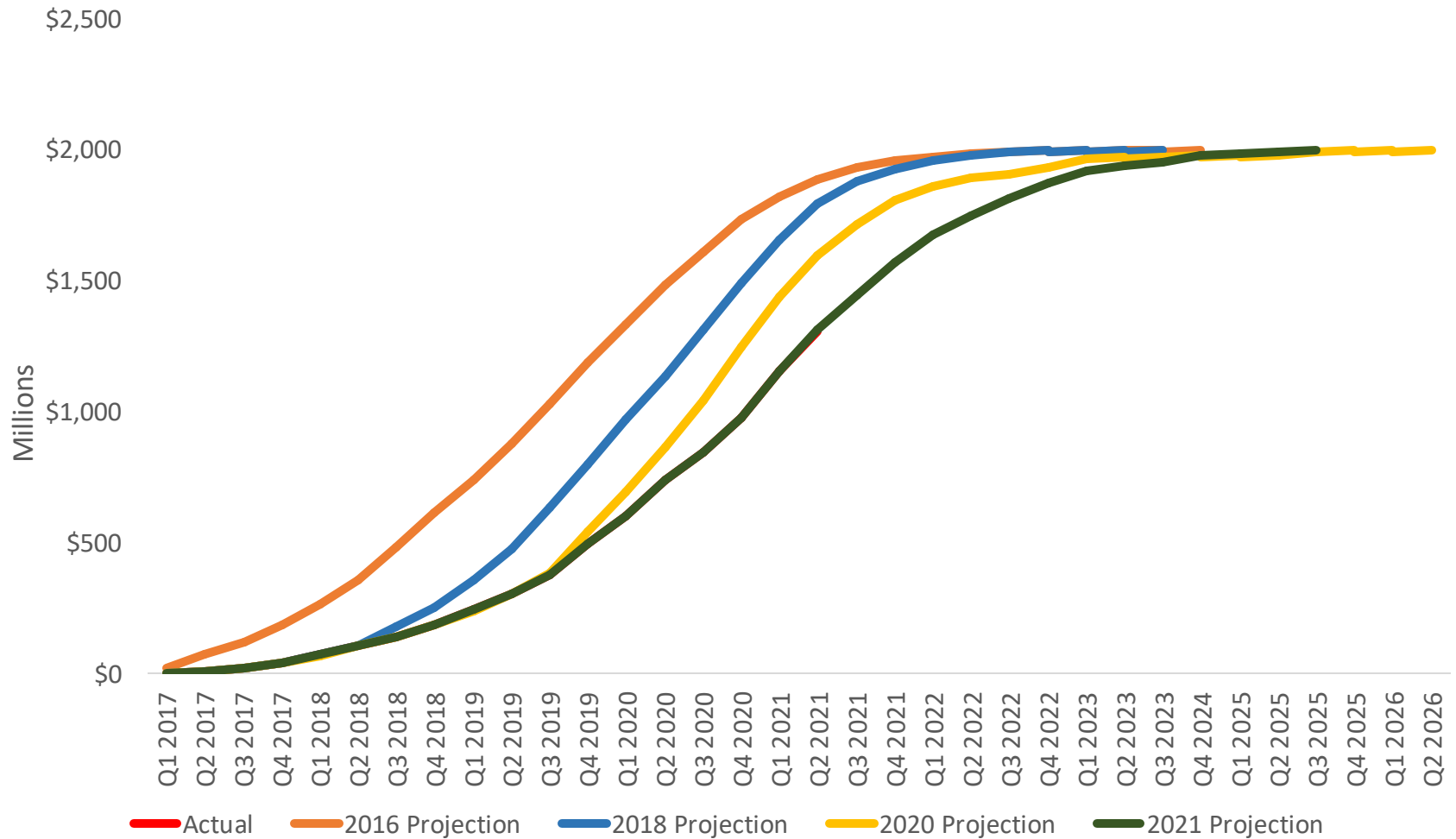
2018 Appropriations Act

2018 Appropriations Act appropriated \$68.4 million in additional funds to several Connect NC Bond projects:

- OSBM required those receiving supplemental funds to expend funds prior to requesting bond proceeds
- Expenditure of General Funds reduced the current bond issue and reduces idle cash.

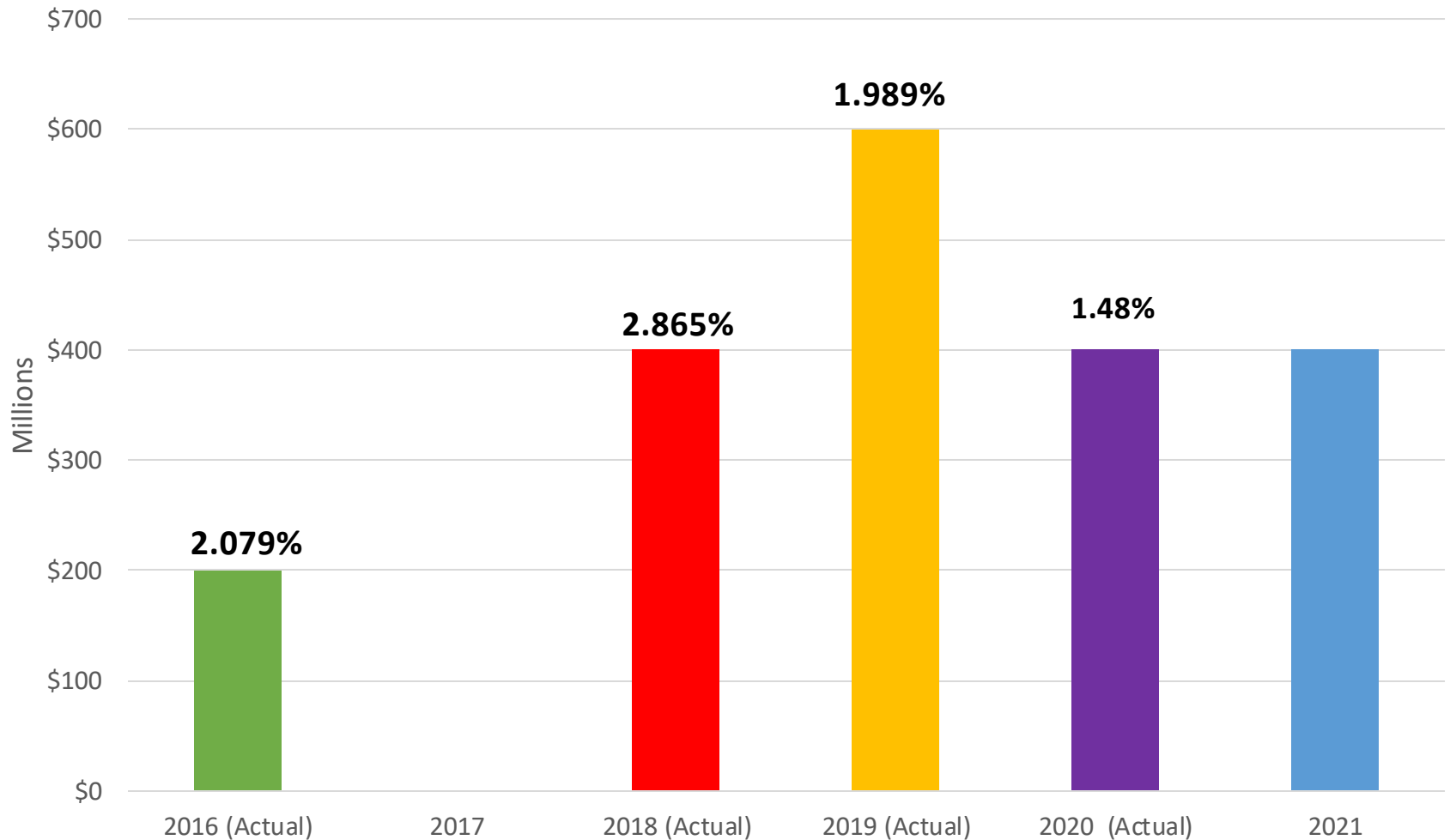


Projected Expenditures vs. Actual (Update)



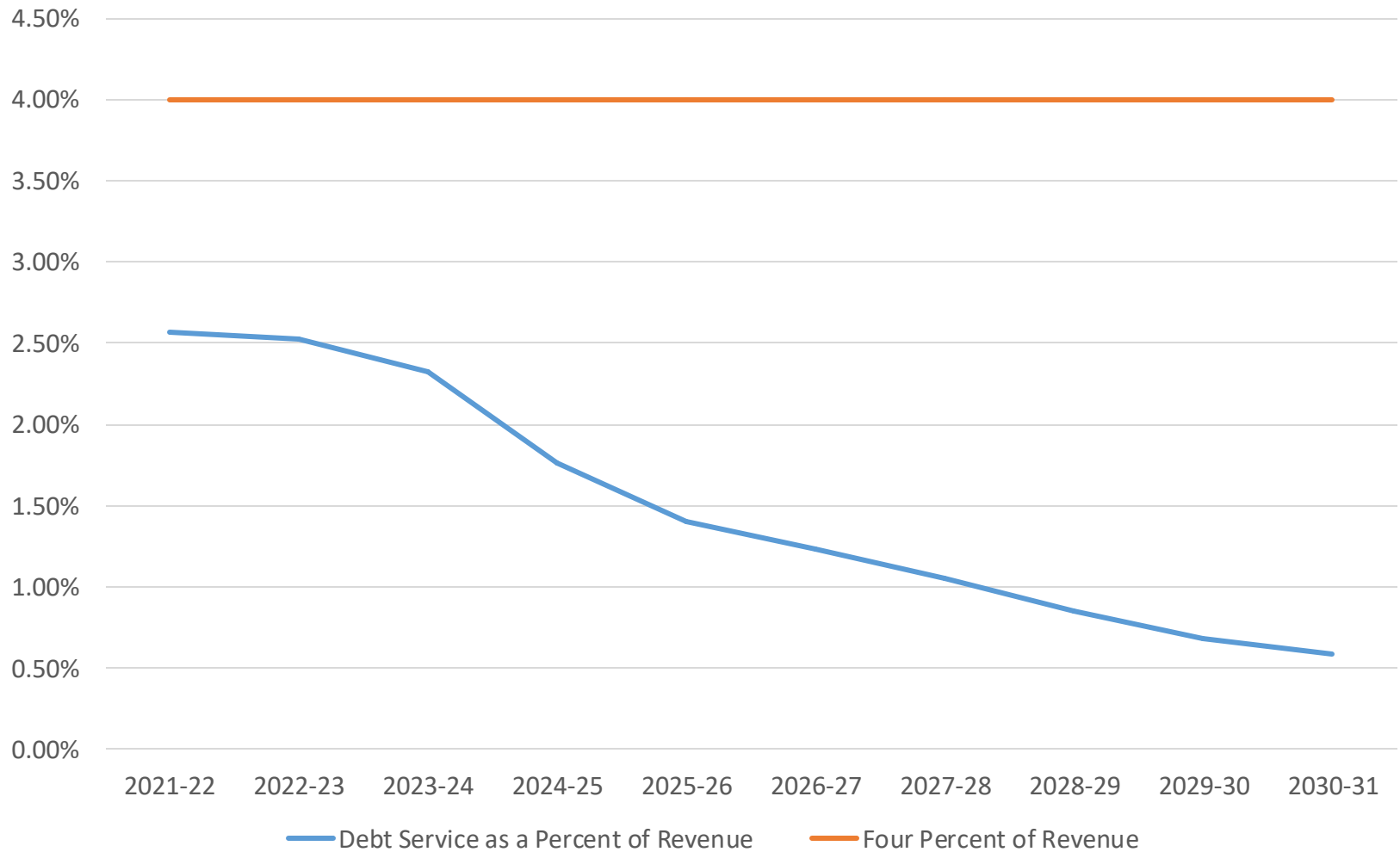


Actual and Projected Bond Issuance Schedule with Interest Rates





Impact on Debt Service: Debt Affordability





University of North Carolina Projects

University of North Carolina received 21 total projects with an estimated completion schedule of:

- **Seven** - Complete (ASU, NCSU, UNCG, UNCW, WSSU, UNCSCA, UNCA)
- **Six** - coming online in this current FY
- **Six** - coming online in Fiscal Year 2021-22
- **Two** - coming online in Fiscal Year 2022-23



Project Example: UNC School of the Arts



Old Library Renovation – Semans Arts and Administration Building: Complete



Project Example: UNC Charlotte



New Science Building: Opening April 1st



Project Example: NC A&T





Department of Agriculture and Consumer Services

Agriculture Science Center:

- \$94 million Connect NC
- \$13 million General Fund supplement

Consolidates Food and Drug Protection, Standards, Structural Pest Control and Pesticides, and Veterinary laboratory facilities into one location.

- Anticipated Opening June. 2021



Agriculture and Consumer Services: Project Photo





North Carolina Community Colleges Project Update

North Carolina Community Colleges Received \$350 million for Repairs and Renovations and New Capital Projects:

- **92** Active Repair and Renovation Projects
- **145** Complete Repair and Renovation Projects
- **53** Active New Capital Projects
- **22** Complete New Capital Projects



Community College: Example Project



Isothermal Community College: Applied Sciences and Workforce Development Center



Community College: Example Project



Wake Technical Community College: Applied Technology Building



Natural and Cultural Resources

Department received \$103 million in Connect NC Bond projects for:

- North Carolina Zoo (\$25 million)
 - Australia/Asia in construction
- North Carolina Parks (\$75 million)
- Local Parks for Disabled Veterans and Youth (\$3 million)
 - All projects awarded: 48.1% expended
 - 18 projects funded throughout the state



Local Parks for Disabled Veterans and Youth



Crooked Creek ADA Accessible Playground: Indian Trail, NC



Department of Natural and Cultural Resources: North Carolina Parks

Capital Projects:

- **Thirteen** Capital Projects Complete
- **Ten** Capital Projects Under Construction or at Bid
- **Six** in Design Phase
- **Eleven** Outstanding

Land Acquisition:

- **Seven** Land Acquisitions Compete
- **One** Land Acquisition Ongoing



North Carolina State Park: Project Example



Goose Island Camping Development Projects



North Carolina State Parks: Project Example



Pilot Mountain Visitors Center



Department of Public Safety

Department of Public Safety received Four Projects:

- Phase Two of Samarcand Training Academy
 - Five Buildings Complete
- Three new National Guard Readiness Centers
 - Burke County (in construction) – Completion July 2022
 - Guilford County (in design) – Completion June 2024
 - Wilkes County (in design) - TBD



Department of Public Safety: Samarcand





Department of Public Safety: Burke County Readiness Center



Demolition of Western Youth
Correctional Institution



Readiness Center Construction



Department of Environmental Quality

Local Water and Sewer Infrastructure received:

- \$154.75 million for Waste Water Grants and Loans
 - 16 Awarded – Not Yet Received Funds
 - 31 In Construction – Receiving Funds
 - 8 Completed
- \$154.75 million for Drinking Water Grants and Loans
 - 37 Awarded – Not Yet Received Funds
 - 38 In Construction – Receiving Funds
 - 9 Completed



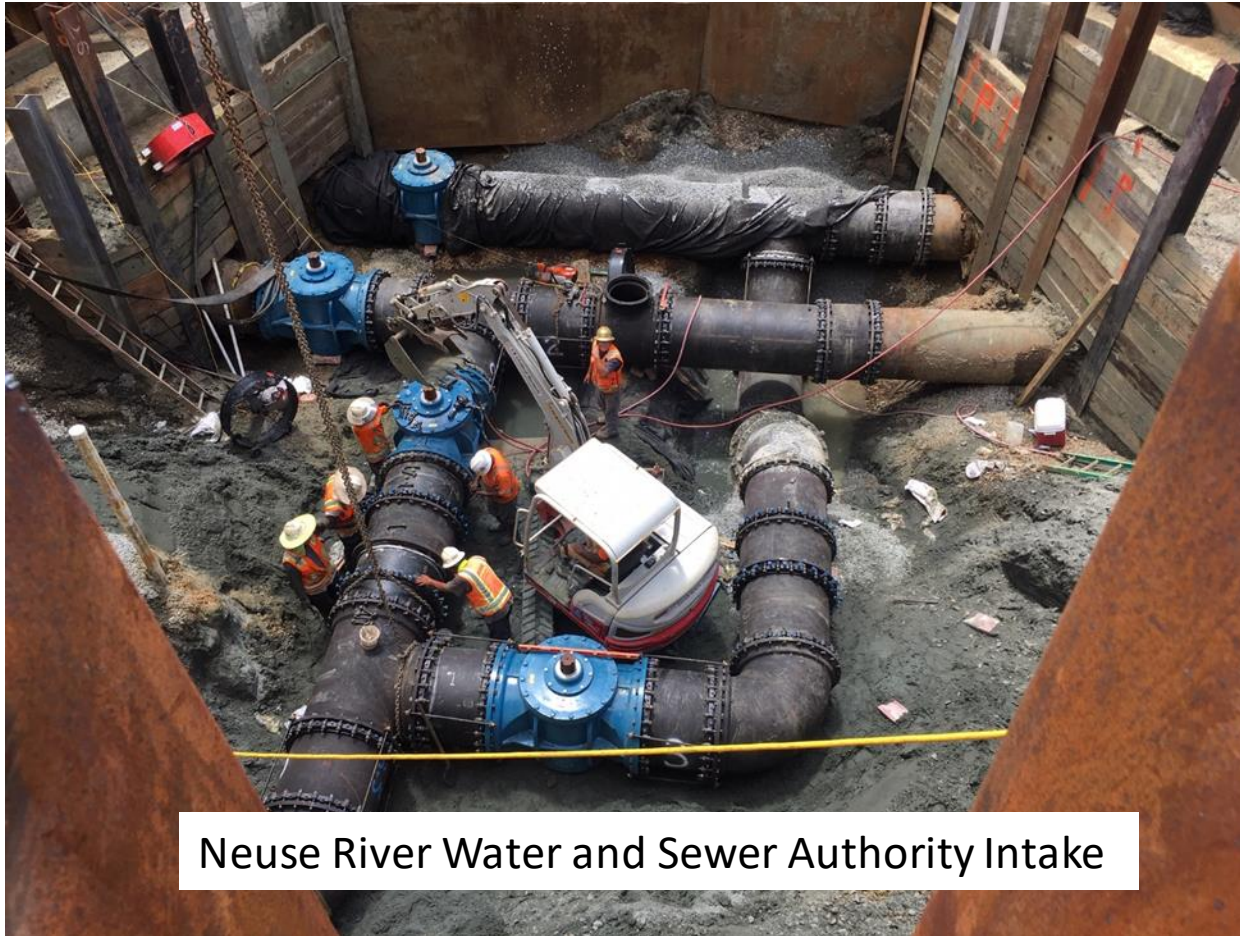
Project Example: Water Infrastructure



Town of Pinetops Water Tank



Project Example: Water Infrastructure



Neuse River Water and Sewer Authority Intake



Impact on Operating Budgets

The opening of capital projects at State Agencies and Universities requires increased appropriation to operate and maintain buildings. Several buildings projected to open this biennium do not have funding to open. They include:

- Original cost estimates for the Connect NC Bond (2015) were an additional \$46.3 million recurring once all projects were online
- Key projects awaiting funds are at State Agencies (Parks and Agriculture) and UNC.



Project Reserve

Connect NC Bond Act required that the funds budgeted for escalation at State Agency and UNC projects be held in reserve to address unforeseen project needs or inflation related increases:

- \$58.7 million in escalation reserves held
- \$31.4 million has been approved for release
 - Majority of releases due to inflation.



Post Issuance Compliance

- During and After Debt Issuance OSBM and Department of State Treasurer monitor and survey debt recipients about projects regarding projects
- Process necessary to ensure that the State maintains tax exempt status of debt



Questions

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